

**MOSQUITO ABATEMENT DISTRICT - DAVIS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED DECEMBER 31, 2006**

**MOSQUITO ABATEMENT DISTRICT - DAVIS
YEAR ENDED DECEMBER 31, 2006**

TABLE OF CONTENTS

<u>FINANCIAL SECTION:</u>	<u>Page</u>
Independent Auditor's Report	1-2
Management Discussion and Analysis	3-7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	11
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds to the Statement of Activities	13
Notes to the Financial Statements	14-27
Required Supplementary Information:	
Budgetary Comparison Schedules	
General Fund	28
Compliance Section:	
Independent Auditor's Report on State of Utah Legal Compliance	29
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30-31

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Mosquito Abatement District - Davis

We have audited the accompanying financial statements of the governmental activities of Mosquito Abatement District - Davis, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mosquito Abatement District - Davis's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Mosquito Abatement District - Davis, as of December 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2007, on our consideration of Mosquito Abatement District - Davis's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Trustees
Mosquito Abatement District - Davis

The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Wood Richards & Associates

Ogden, Utah
June 5, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Mosquito Abatement District-Davis (MAD-D), we offer readers of the MAD-D's financial statements this narrative overview and analysis of the financial activities of the MAD-D for the fiscal year ended December 31, 2006.

Financial Highlights

- The net assets of the MAD-D increased by \$151,123 over the previous year. This increase was due primarily to an increase in revenue from fee-in-lieu than was estimated for the budget, lower than anticipated aerial larval acres were treated than anticipated and the West Nile Virus activity in the county did not reach critical levels to require expenditure of the funds for a large scale urban aerial spray for adult mosquitoes. There was an increase in spraying for adult mosquitoes both aerially and by ground equipment over previous years do to West Nile Virus. Lower thresholds of mosquito populations in preparation for WNV caused this increase in spraying. The West Nile Virus activity was increasing in all surveillance methods and 10 human cases occurred in the county. The virus detection remained scattered and random for the entire summer
- As of the close of the current fiscal year, the MAD-D governmental activities reported net assets of \$2,527,254.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the MAD-D's basic financial statements. The MAD-D's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the MAD-D's finances, in a manner similar to a private-sector business.

During 2004 MAD-D implemented GASB 34 which is a new accounting standard for financial reporting. MAD-D has included prior year according to GASB 34 therefore a comparative of the prior year balances is available.

The statement of net assets presents information on all of the MAD-D's assets and liabilities, with the difference between the two reported as net assets.

The statement of activities present information showing how the MAD-D's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activities of the MAD-D is to promote and provide safe and effective mosquito control to the taxpayers we serve.

Fund Financial Statements

A fund is a grouping of the related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The MAD-D, like other state and local government units, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluation a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The MAD-D adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to the Financial Statement

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the MAD-D, assets exceed liabilities by \$2,527,254 at the close of the fiscal year. The largest portion of the MAD-D's net assets reflects its unrestricted net assets of \$1,577,057. The investment in capital assets at year end was \$950,197; this includes land, buildings, machinery, and equipment. . The MAD-D uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. There is no outstanding long term debt. The only liabilities are for payroll taxes and accounts payable.

MAD-D's Net Assets

	<u>2006</u>	<u>2005</u>
Cash and investments	\$ 1,231,910	\$ 1,137,291
Other assets	430,086	300,204
Capital assets	<u>950,197</u>	<u>958,026</u>
Total assets	<u>\$ 2,612,193</u>	<u>\$ 2,395,521</u>
Current liabilities	\$ 72,822	\$ 7,066
Noncurrent liabilities	<u>12,117</u>	<u>-</u>
Total liabilities	<u>84,939</u>	<u>7,066</u>
Net assets:		
Invested in capital assets	950,197	958,026
Unrestricted	<u>1,577,057</u>	<u>1,430,429</u>
Total net assets	<u>2,527,254</u>	<u>2,388,455</u>
Total liabilities and net assets	<u>\$ 2,612,193</u>	<u>\$ 2,395,521</u>

At the end of the current fiscal year, the MAD-D is able to report positive balances in all categories of net assets.

Governmental Activities

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

MAD-D's Change in Net Assets

	<u>2006</u>	<u>2005</u>
General revenues		
Taxes	\$ 1,162,718	\$ 1,058,844
Interest income	43,870	26,340
Other revenues	20,140	20,808
Gain on sale of assets	20,464	20,708
Total general revenues	1,247,192	1,126,700
Expenses:		
Labor	359,407	337,375
Depreciation	92,352	77,401
Chemicals	191,775	118,217
Plane spraying	135,768	132,707
West Nile Surveillance	100,124	157,524
Operating Costs	216,643	217,600
Total expenses	1,096,069	1,040,824
Change in net assets	151,123	85,876
Beginning net assets	2,376,131	2,290,255
Ending net assets	<u>\$ 2,527,254</u>	<u>\$ 2,376,131</u>

Financial Analysis of the Government's Funds

As noted earlier, the MAD-D uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the MAD-D's funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the MAD-D's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the MAD-D's funds reported combined ending fund balances of \$1,597,174, an increase of \$166,745 in comparison with the prior year. The entire balance constitutes unreserved fund balance, which is available for spending at the MAD-D's discretion. Of the unreserved fund balance \$33,000.00 is designated for collision self insurance. And \$62,000.00 is designated for emergency spray fund.

Requests for Information

This financial report is designed to provide a general overview of the MAD-D's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Mosquito Abatement District-Davis, 85 North 600 West, Kaysville, UT 84037

MOSQUITO ABATEMENT DISTRICT - DAVIS
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 1,231,910
Inventory	159,228
Prepaid expenses	10,598
Taxes receivable	<u>260,260</u>
Total Current Assets	<u>1,661,996</u>
Noncurrent Assets:	
Capital Assets:	
Land	44,225
Net Depreciable Capital Assets	<u>905,972</u>
Total Capital Assets, Net	<u>950,197</u>
Total Assets	<u>2,612,193</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	64,822
Noncurrent Liabilities Due Within One Year	<u>8,000</u>
Total Current Liabilities	<u>72,822</u>
Noncurrent Liabilities:	
Due In More Than One Year	<u>12,117</u>
Total Noncurrent Liabilities	<u>12,117</u>
NET ASSETS	
Invested in Capital Assets	950,197
Unrestricted	<u>1,577,057</u>
Total Net Assets	<u><u>\$ 2,527,254</u></u>

The accompanying notes are an integral part of these financial statements.

**MOSQUITO ABATEMENT DISTRICT - DAVIS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Program Revenues</u>				<u>Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Functions/Programs					
Governmental Activities					
Mosquito Abatement	\$ 1,096,069	\$ -	\$ -	\$ -	\$ (1,096,069)
Total Government	<u>\$ 1,096,069</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,096,069)</u>
General Revenues:					
Property Taxes					1,162,718
Interest Earnings					43,870
Miscellaneous					20,140
Gain on Sale of Assets					20,464
Total General Revenues					<u>1,247,192</u>
 Change in Net Assets					151,123
Net Assets at Beginning of Year					<u>2,376,131</u>
Net Assets at End of Year					<u>\$ 2,527,254</u>

The accompanying notes are an integral part of these financial statements.

MOSQUITO ABATEMENT DISTRICT - DAVIS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2006

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and investments	\$ 980,975	\$ 250,935	\$ 1,231,910
Inventory	159,228	-	159,228
Prepaid expenses	10,598	-	10,598
Taxes receivable	260,260	-	260,260
TOTAL ASSETS	\$ 1,411,061	\$ 250,935	\$ 1,661,996
LIABILITIES			
Accounts payable	\$ 64,822	\$ -	\$ 64,822
TOTAL LIABILITIES	64,822	-	64,822
FUND BALANCES			
Unreserved:			
Designated - Collision self insurance	33,000	-	33,000
Designated - Emergency spray	62,000	-	62,000
Undesignated	1,251,239	250,935	1,502,174
TOTAL FUND BALANCES	1,346,239	250,935	1,597,174
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,411,061	\$ 250,935	\$ 1,661,996

The accompanying notes are an integral part of these financial statements.

**MOSQUITO ABATEMENT DISTRICT - DAVIS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances--total governmental funds	\$ 1,597,174
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Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.

Land	44,225	
Buildings, net	718,311	
Vehicles, net	155,910	
Operating equipment, net	31,751	
Office equipment, net	<u>-</u>	950,197

Compensated absences are not due and payable in the current period and therefore are not reported as fund liabilities. The balance of compensated absences at year end is:

(20,117)

Net assets of governmental activities

\$ 2,527,254

The accompanying notes are an integral part of these financial statements.

MOSQUITO ABATEMENT DISTRICT - DAVIS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 1,162,718	\$ -	\$ 1,162,718
Interest	33,350	10,520	43,870
Other Revenues	-	20,140	20,140
Total Revenues	<u>1,196,068</u>	<u>30,660</u>	<u>1,226,728</u>
EXPENDITURES			
Current Operating:			
Labor	351,613	-	351,613
Chemicals	191,775	-	191,775
Plane spraying	135,768	-	135,768
West Nile Surveillance	100,124	-	100,124
Operating costs	216,643	-	216,643
Capital Projects	-	84,524	84,524
Total Expenditures	<u>995,923</u>	<u>84,524</u>	<u>1,080,447</u>
Excess of Revenues Over (Under) Expenditures	200,145	(53,864)	146,281
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Fixed Assets	20,464	-	20,464
Transfers-In	-	115,000	115,000
Transfers-Out	(115,000)	-	(115,000)
Total Other Financing Sources (Uses)	(94,536)	115,000	20,464
Net Change in Fund Balances	105,609	61,136	166,745
Undesignated Fund Balance at Beginning of Year	<u>1,240,630</u>	<u>189,799</u>	<u>1,430,429</u>
Undesignated Fund Balance at End of Year	<u>\$ 1,346,239</u>	<u>\$ 250,935</u>	<u>\$ 1,597,174</u>

The accompanying notes are an integral part of these financial statements.

MOSQUITO ABATEMENT DISTRICT - DAVIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Net change in fund balance, total governmental funds \$ 166,745

Amounts reported for governmental activities
in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlays	84,524	
Depreciation Expense	<u>(92,352)</u>	(7,828)

Payment of compensated absences is an expenditure in the governmental fund financial statements. However, in the statement of activities, compensated absences are expensed as the liability is incurred. The corresponding obligation on the statement of net assets is reduced as payments are made. This is the net change to compensated absences in the current period.

(7,794)

In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. This is the amount that the proceeds from the sale exceeded the gain from the sale of capital assets.

Proceeds from sale of assets	(20,464)	
Gain from sale of assets	<u>20,464</u>	-

Change in net assets of governmental activities \$ 151,123

The accompanying notes are an integral part of these financial statements.

MOSQUITO ABATEMENT DISTRICT - DAVIS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

I. ORGANIZATION AND REPORTING ENTITY

The Mosquito Abatement District - Davis is a special taxing district operating in Davis County. The purpose of the District is to control infestation of mosquitoes in the County. No other government entity is included in this report.

In defining the government, for financial reporting purposes, management has considered all potential component units. The decision not to include any potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB).

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable that do not conflict with or contradict GASB pronouncements). The more significant accounting policies established in GAAP and used by the District are discussed below.

B. Basic Financial Statements

The District's basic financial statements consist of the government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

Statement of Net Assets - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government and exclude fiduciary activities. The statement of net assets presents the financial condition of the governmental activities of the District at year end.

Statement of Activities - The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities of the District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is

MOSQUITO ABATEMENT DISTRICT - DAVIS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basic Financial Statements (continued)

required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

C. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts.

There are three categories of funds: governmental, proprietary, and fiduciary. The following fund types are used by the District:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources that are not specifically accounted for in another fund.

Capital Projects Fund

The Capital Projects Fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds

MOSQUITO ABATEMENT DISTRICT - DAVIS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's various departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time a liability is incurred.

Fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes and interest are susceptible to accrual. Other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

MOSQUITO ABATEMENT DISTRICT - DAVIS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus/Basis of Accounting (continued)

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

E. Assets, Liabilities and Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

2. Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables, payables, and transfers between funds within governmental activities are eliminated in the government-wide statements.

3. Receivables and Payables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

4. Inventories and Prepaid Items

The Inventories are valued at cost using the first-in/first-out (FIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Both inventories and prepaid expenses are accounted for with the consumption method.

MOSQUITO ABATEMENT DISTRICT - DAVIS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued)

5. Capital Assets

Capital assets which include property, plant, and equipment are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	50
Vehicles	7
Operating Equipment	3-10
Office Equipment	7-10

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned, but unused vacation and sick pay benefits. One-third of unpaid accumulated sick leave may be converted to either cash or health insurance after retirement on a dollar-for-dollar basis. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

MOSQUITO ABATEMENT DISTRICT - DAVIS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued)

7. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints in place on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is the District's policy to first apply restricted resources before applying unrestricted resources when an expense is incurred for purposes by which both restricted and unrestricted net assets are available. The District only uses the restricted net assets for their specified purposes, if applicable.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Designations of fund balance represent tentative management plans that are subject to change.

8. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the

MOSQUITO ABATEMENT DISTRICT - DAVIS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued)

8. Interfund Transactions (continued)

reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, and reimbursement, are reported as operating transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers.

9. Property Tax

Property taxes are attached as an enforceable lien on property as of January 1. The County collects these taxes and gives the District their proportionate share of the taxes collected.

Taxes are due and payable on November 1 and delinquent after twelve o'clock noon on November 30 of each year.

The combined tax rate to finance the district for the year ended December 31, 2006, was .0099% of tax valuation.

10. Contracts

The District has entered into a contract with a spraying contractor to spray mosquitoes in the District's area. The contract is one year in duration and is extended each year unless terminated by the District.

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Deposits and Investments

The District's cash and investments include amounts in demand deposits. This cash is displayed in the account titled "Cash and investments." Investments are stated at cost or amortized cost, which approximates fair value. Deposits are not collateralized nor are they required to be by State statute. The District's investments are displayed on the balance sheet in the same caption as deposits.

The District follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of District funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State

MOSQUITO ABATEMENT DISTRICT - DAVIS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

A. Deposits and Investments (continued)

Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of December 31, 2006, all \$75,913 of the District's bank deposits were insured, but uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes and other evidence of indebtedness of political subdivision of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act; Section 51-7, *Utah Code Annotated*, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF Investment pool is approximately equal to the value of the pool shares.

MOSQUITO ABATEMENT DISTRICT - DAVIS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

A. Deposits and Investments (continued)

As of December 31, 2006, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)				Quality Ratings
		Less than 1	1-5	6-10	More than 10	
PTIF Investments	1,155,997	1,155,997	-	-	-	not rated
	1,155,997	1,155,997	-	-	-	

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the Utah Public Treasurers Investment Fund and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Maturities of the District's investments are noted in the previous table.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar held in the portfolio. The District's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk (investments) – For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. The District's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Components of cash and investments at December 31, 2006, are as follows:

Reconciliation of deposits and investments

Deposits	\$ 75,913
Investments	1,155,997
Cash and cash equivalents	<u>\$1,231,910</u>

MOSQUITO ABATEMENT DISTRICT - DAVIS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

B. Receivables

Receivables at year end for the District consist entirely of property tax receivables in the General Fund. The balance at year end was \$260,260 and the allowance for uncollectibles had a balance of \$0.

C. Capital Assets

A summary of changes in capital assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 44,225	\$ -	\$ -	\$ 44,225
Total capital assets, not being depreciated	44,225	-	-	44,225
Capital assets, being depreciated				
Buildings	892,869	-	-	892,869
Vehicles	336,605	63,403	(34,264)	365,744
Operating equipment	64,501	21,121	(11,124)	74,498
Office equipment	48,035	-	-	48,035
Total capital assets, being depreciated	1,342,010	84,524	(45,388)	1,381,146
Accumulated Depreciation for:				
Buildings	(154,701)	(19,857)	-	(174,558)
Vehicles	(192,293)	(51,805)	34,264	(209,834)
Operating equipment	(35,565)	(18,306)	11,124	(42,747)
Office equipment	(45,650)	(2,385)	-	(48,035)
Total accumulated depreciation	(428,209)	(92,353)	45,388	(475,174)
Total capital assets, being depreciated, net	913,801	(7,829)	-	905,972
Governmental-type activities capital assets, net	<u>\$ 958,026</u>	<u>\$ (7,829)</u>	<u>\$ -</u>	<u>\$ 950,197</u>

MOSQUITO ABATEMENT DISTRICT - DAVIS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

D. Compensated Absences

Compensated absences had a balance of \$20,117 as of December 31, 2006. The estimated current-portion of compensated absences, based on historical trends is \$8,000.

E. Designated Fund Balance

Designations of equity are used to show the amounts within unreserved equity which are intended to be used for specific purposes, but are not legally restricted. Designated equity is intended for the following purposes.

<u>Fund</u>	<u>Purpose</u>
General Fund	Collision Self Insurance
General Fund	Emergency Spray Fund

F. Interfund Transfers

In the fund financial statements interfund transfers totaled \$80,500 from the general fund to the capital projects fund. The purpose of this transfer was to accumulate funds in the capital projects fund in order to acquire and construct assets in the future, which are designated by the District.

The following summarizes interfund transfers made:

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>Capital Projects Fund</u>	<u>Total</u>
General Fund	\$ 115,000	\$ 115,000
	<u>\$ 115,000</u>	<u>\$ 115,000</u>

MOSQUITO ABATEMENT DISTRICT - DAVIS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

IV. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The budget officer prepares and files a tentative budget which is to be presented to the governing body by November 1.
2. Tentative budgets are public record available for inspection for at least ten days prior to adoption.
3. Published notices are sent seven days prior to a public hearing on adoption of the budget.
4. Public hearings are held on the tentative budgets.
5. Final adjustments to the tentative budgets are made by the governing body after the public hearing.
6. By December 15, the budget is adopted by resolution of the governing body and filed with the State Auditor.

Budgets may be increased by resolution of the board at any time during the year. A public hearing must be held regarding any proposed increase in funds appropriations.

Budget amendments are required only when excess expenditures occur at the departmental level. Utah state law allows for any undesignated fund balance in excess of 5% of total revenues of the general fund to be utilized for budget purposes. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to one years property tax.

All unused budget appropriations lapse at year end. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The accounting methods and policies used for budgetary purposes are the same as the methods and policies used in the fund financial statements. Therefore, no reconciliation is needed as the results are identical.

MOSQUITO ABATEMENT DISTRICT - DAVIS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

V. OTHER INFORMATION

A. Employer Contributing to a cost Sharing Multiple Employer Defined Benefit Pension Plan

Plan Description - The Mosquito Abatement District - Davis contributes to the Local Governmental Noncontributory Retirement system, a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems. Utah retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective section of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy - Plan members in the Local Governmental Noncontributory Retirement System are required to contribute to the System. The Mosquito Abatement District - Davis was required to contribute 11.09% of their annual covered salary to the Noncontributory System from January to June of 2006, and 11.09% from July to December of 2006. The contribution rates are the actuarially determined rates. The contribution requirements of the System is authorized by statute and specified by the Board.

The Mosquito Abatement District - Davis's contributions to the Local Governmental Noncontributory Retirement System for December 31, 2006, 2005, and 2004 were \$16,965, \$16,488, and \$11,866, respectively. The contributions were equal to the required contributions for each year.

The District also makes 401-k contributions to the State Retirement System. The amounts of these contributions were \$11,530 for employees and \$7,170 for the District.

MOSQUITO ABATEMENT DISTRICT - DAVIS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

V. OTHER INFORMATION

B. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has established a risk management program for workers' compensation. Premiums are paid out of the general fund.

Liabilities of the District are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. An estimate of claims liability also may include amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

Settlements have not exceeded coverages for each of the past three years. As of December 31, 2006, no liabilities were incurred due to such contingencies as discussed above.

REQUIRED SUPPLEMENTARY INFORMATION

MOSQUITO ABATEMENT DISTRICT - DAVIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property Taxes	\$ 1,058,500	\$ 1,058,500	\$ 1,162,718	\$ 104,218
Interest	16,000	16,000	33,350	17,350
Other	-	-	-	-
Total Revenues	<u>1,074,500</u>	<u>1,074,500</u>	<u>1,196,068</u>	<u>121,568</u>
Expenditures:				
Current:				
Labor	384,000	384,000	351,613	32,387
Chemicals	258,500	258,500	191,775	66,725
Plane spraying	105,000	105,000	135,768	(30,768)
West Nile Surveillance	207,500	207,500	100,124	107,376
Operating costs	121,000	121,000	216,643	(95,643)
Total Expenditures	<u>1,076,000</u>	<u>1,076,000</u>	<u>995,923</u>	<u>80,077</u>
Other financing sources (uses):				
Operating transfers in (out)	(115,000)	(115,000)	(115,000)	-
Proceeds from sale of assets	-	-	20,464	20,464
Total other financing sources (uses)	<u>(115,000)</u>	<u>(115,000)</u>	<u>(94,536)</u>	<u>20,464</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(116,500)</u>	<u>(116,500)</u>	<u>105,609</u>	<u>222,109</u>
Fund Balance - January 1	<u>1,240,630</u>	<u>1,240,630</u>	<u>1,240,630</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 1,124,130</u>	<u>\$ 1,124,130</u>	<u>\$ 1,346,239</u>	<u>\$ 222,109</u>

The accompanying notes are an integral part of these financial statements.

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT STATE OF UTAH LEGAL COMPLIANCE

To the Board of Trustees
Mosquito Abatement District - Davis

We have audited the accompanying financial statements of the governmental activities of Mosquito Abatement District - Davis, for the year ended December 31, 2006 and have issued our report thereon dated June 5, 2007. Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt	Purchasing Requirements
Cash Management	Other General Compliance Issues
Budgetary Compliance	General Compliance Special Districts
Truth in Taxation	

The District did not receive any major or non-major State grants during the year ended December 31, 2006.

The management of Mosquito Abatement District - Davis is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed an immaterial instance of noncompliance with requirements referred to above, which is described in the accompanying management letter. We considered this instance of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Mosquito Abatement District - Davis, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

Wood Richards & Associates

June 5, 2007

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Mosquito Abatement District - Davis

We have audited the financial statements of Mosquito Abatement District - Davis of and for the year ended December 31, 2006, and have issued our report thereon dated June 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Mosquito Abatement District - Davis's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mosquito Abatement District - Davis's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mosquito Abatement District - Davis's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

June 5, 2007
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mosquito Abatement District - Davis's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates

Ogden, UT
June 5, 2007

June 5, 2007

Honorable Board of Trustees
Mosquito Abatement District - Davis

We have recently completed our audit of the basic financial statements of Mosquito Abatement District - Davis for the year ended December 31, 2006. During our audit we noted the following item for your consideration:

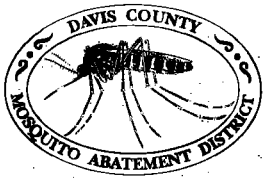
1. State law requires districts to limit the accumulated fund balance of the general fund to the greater of 100% of the current year's property tax; or 25% of the total general fund's revenues. We noted that the current fund balance is in excess of this limitation. We recommend the District budget to spend the excess fund balance or transfer funds to the capital projects fund, so long as those funds are reserved by the Board for specific capital outlays.

We appreciate the cooperation we received during the course of our audit.

Sincerely,

Wood Richards & Associates

Wood, Richards & Associates, PC



DAVIS COUNTY MOSQUITO ABATEMENT DISTRICT

85 North 600 West, Kaysville, Utah 84037 • (801) 544-3736 • FAX (801) 544-2864

Gary Hatch, District Manager

July 10, 2007

Utah State Auditor

During the 2006 audit conducted by Wood, Richards and Associates, they found that the general fund balance was in excess of its limitations. The Mosquito Abatement District-Davis plans to transfer funds to the capital projects fund with specific designations for spending. Capital Project Funds to build a future building in place of an old metal building on the District property. The building is estimated to be approximately 7000 square feet and will be part office, vehicle storage, and indoor fish rearing. The building will be a block structure. The cost will be approximately \$650,000.00. These funds will be placed towards the construction that structure.

Other funds that are in excess will be placed in our emergency West Nile Virus spray fund. Legislative changes this year as we understand it will allow us now to have a dedicated reserve for the emergency spray needed for excessive West Nile Virus activity. We will work closely with our auditors to set up these dedicated reserves.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Hatch", written in a cursive style.

Gary Hatch
Manager